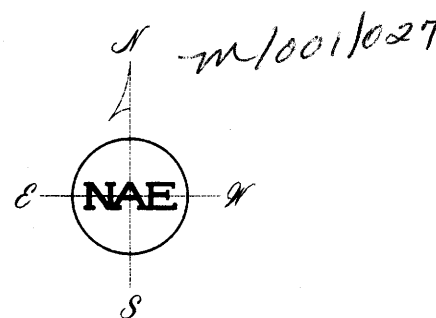


NORTH AMERICAN EXPLORATION, INC.

GEOLOGY GEOPHYSICS GEOCHEMISTRY ENVIRONMENTAL SERVICES



June 25, 2001

Via Certified Mail

Mr. D. Wayne Hedburg
Utah Department of Natural Resources
Division of Oil, Gas and Mining
Box 145801
Salt Lake City, Utah 84114

RECEIVED

U.S. DEPARTMENT OF
ENERGY
DIVISION OF OIL, GAS AND MINING

Dear Wayne:

Reference is made to your "Fourth" Review of Intention to Commence Large Mining Operations, Basin Perlite Company, Pearl Queen Mine M/001/027, Beaver County, Utah. This Review was dated June 12, 2001.

We are confused and discouraged about the mine permitting process. Perhaps it would help to first review the history and events of our revision of the mine permit.

- * 11/1/00 NOI Mine Site submitted to DOGM - request "Amendment" (about 13.5 acres additional).
- * 12/15/00 NOI Plan of Operations submitted to USBLM.
- * 12/20/00 Meeting with DOGM - must be a "Revision", need to address mill site.
- * 12/29/00 Plan of Operations accepted by USBLM. (2 weeks turnaround time).
- * 1/22/01 NOI Mill Site submitted to DOGM (12.531 acres, combine with mine, \$192,483 est. demolition costs).
- * 1/31/01 DOGM reports no permit required for mill site.
- * 1/30 - 31/01 More demolition cost estimates for mill to DOGM.
- * 2/26/01 Initial review of mine NOI by DOGM.
- * 2/28/01 Review status of mill site NOI by DOGM, Reclamation bond \$191,797. Mill site to be permitted with mine site.
- * 3/1/01 Meeting with DOGM, BPC must permit the mill site and post reclamation bond.
- * 3/16/01 DOGM Notice of Tentative Decision to Approve (23.5 acres - mine site only).
- * 3/19/01 Public Notice of DOGM "Intent to Issue Tentative Approval".
- * 3/21/01 Meeting with DOGM - BPC protested mill site permit, but agreed to permit the mill site and post reclamation bond.

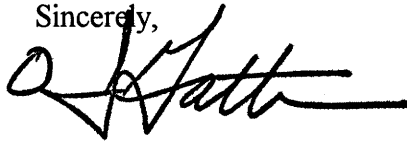
- * 4/13/01 Basin Perlite reply to DOGM Initial Review of Mine Site NOI.
- * 6/12/01 Fourth Review of NOI (for mine?) by DOGM.
- * 6/15/01 Archaeological survey of mine site completed.

We ask ourselves many questions. Why does it take more than 7 months to revise a simple mine plan for a small mine? Why does it take the BLM only two weeks to OK the "Plan of Operations"? Why are questions brought up about the terms of the current and original mine/reclamation plan? Why does a mill located 15 miles from the mine be required to be part of the mine permit? Why does it take several months to get surety costs calculated? We agreed to post a "transitional" bond again on March 1, 2001. Why are we still answering questions about the mine since the DOGM issued an "Intent to Approve" on March 21, 2001?

We believe that things should be put into perspective. We are a small company. We operate a simple open -pit mine. We use no cyanide or other chemicals. We do not discharge any water. To our knowledge we have had no official complaints about the mine - from regulators or the public. We are in compliance with our mine permit. We have tried to be proactive and have met several times with DOGM personnel. We have offered several times to post a transitional bond for both the mine and mill site.

We want to resolve the permit situation quickly and in a way that allows us to mine and mill in a prudent manner. We have replied to your comments and scheduled a meeting for June 29th to work things out and receive the mine permit. If we cannot do so we will attempt to separate the mill site from the mine permit process and seek other avenues of assistance to expedite the mine permitting process.

Sincerely,



O. Jay Gatten
Consultant for Basin Perlite Company

OJG/la

attachment

cc: Correspondence (no attach)
Project (w/attach)
W.R. Wilson (w/attach)

m/001/027

June 25, 2001

Reply to Fourth Review of Notice of Intention to Revise Mining Operations, Basin Perlite Company, Pearl Queen Mine M/001/027, Beaver County Utah, Dated June 12, 2001.

Our replies are in the same format as DOGM comments and refer to the appropriate DOGM regulations.

R647-4-105 - Maps, Drawings & Photographs

105.3 Drawings or Cross Sections

In our judgement the back filling and reclamation of the pit areas, as shown on the cross sections, will "conform to adjacent topography to the extent practicable". In detail, dozer work will insure that there will be no breaks in slope more than 45° in the pit area and 60° in the waste disposal area.

Residual plant waste is minimal. It has been and will continue to be incorporated in soil stockpiles and reclaimed area to help achieve top soil stability and erosion control.

In our judgement there is no soil in the berm that has been dozed to the southern portion of the Pit No.3 area. The berm consists of rock and perlite rubble and is small, probably no more than 10 feet in width and is not continuous. Our plan is to not disturb this narrow berm during this phase of mining.

R647-4-106 - Existing Soil Types, Location and Amount

106.5 Existing soil types, location, amount.

The rubble and rock berm that has been dozed off Pit No. 3 (Schoo Pit), and that remains on the proposed mine area is small. The berm is no more than 400 feet long, a maximum of 10 feet wide, perhaps 5 feet high and is discontinuous. We estimate that no more than 500 tons of such material is present. We did not submit a soil sample from Pit No.3 because there is no soil. In April we requested that the 96-1 sample be used and we never heard otherwise until now. The bedrock geology and soil types are the same at both sites and the soil sample site is only about 1500 feet away from Pit No.3. May we use this analysis to represent the Pit No. 3 area?

R647-4-110 Reclamation Plan

110.5 Revegetation Planting Program

We request a variance on the requirement that 5 tons of composted manure/acre be applied to areas to be reclaimed for the following reasons:

1. This is a revision of an existing mining plan. No such requirements were a part of the original reclamation plan. Soil and growing conditions are the same in the new areas.
2. Perlite is used to help plants grow. Natural revegetation will occur without amending the soil as evidenced by the revegetation of disturbed areas.
3. We have already requested a variance in the Pit No. 3 area so that restoration of 60% of the original vegetation is adequate for reclamation.

R647-4-111 - Reclamation Practices

111.3 Erosion and Sediment Control

This situation is covered in our existing permit. The mine waste dump reaches the bottom of the drainage and does not extend outside the permitted mine area. At some future date the dump may need to be extended - if so a revision of the mine plan will be proposed.

111.6

This situation is covered by our existing permit and will not be affected by the revision of the permit. This comment was addressed in our original permit process. We stated, "As regards the one ephemeral channel on the north end of the mine area, which PQP anticipates it will at least partially fill with overburden, PQP does not have any plans other than standard soil and re-seeding operations. This area is very arid, and PQP does not believe this will harm the area environmentally to simply leave some overburden in the channel. This will smooth the contour of the land somewhat, but PQP does not anticipate this to cause any lasting problem."

The use of 2.5 horizontal to 1:0 vertical slope (a little over 20 degrees?) in this area is not feasible nor does it make sense for reclamation. We have committed to revegetate the area and requested a variance to a maximum slope of 60 degrees. If the DOGM "recommended" slope is implemented the area disturbed would be increased considerably. We also agreed (111.3) to take steps to minimize erosion and contain waste rock dispersal to within the current permit area.

111.8 All roads and pads reclaimed

We will not widen or realign the road to Pit No. 3 (Schoo Pit).

R647-4-112 - Variance

In our reply dated April 13, 2001 we requested a variance in the Schoo Pit area so that reclamation would be complete when 60% of the original vegetation cover has been restored. Our justifications include:

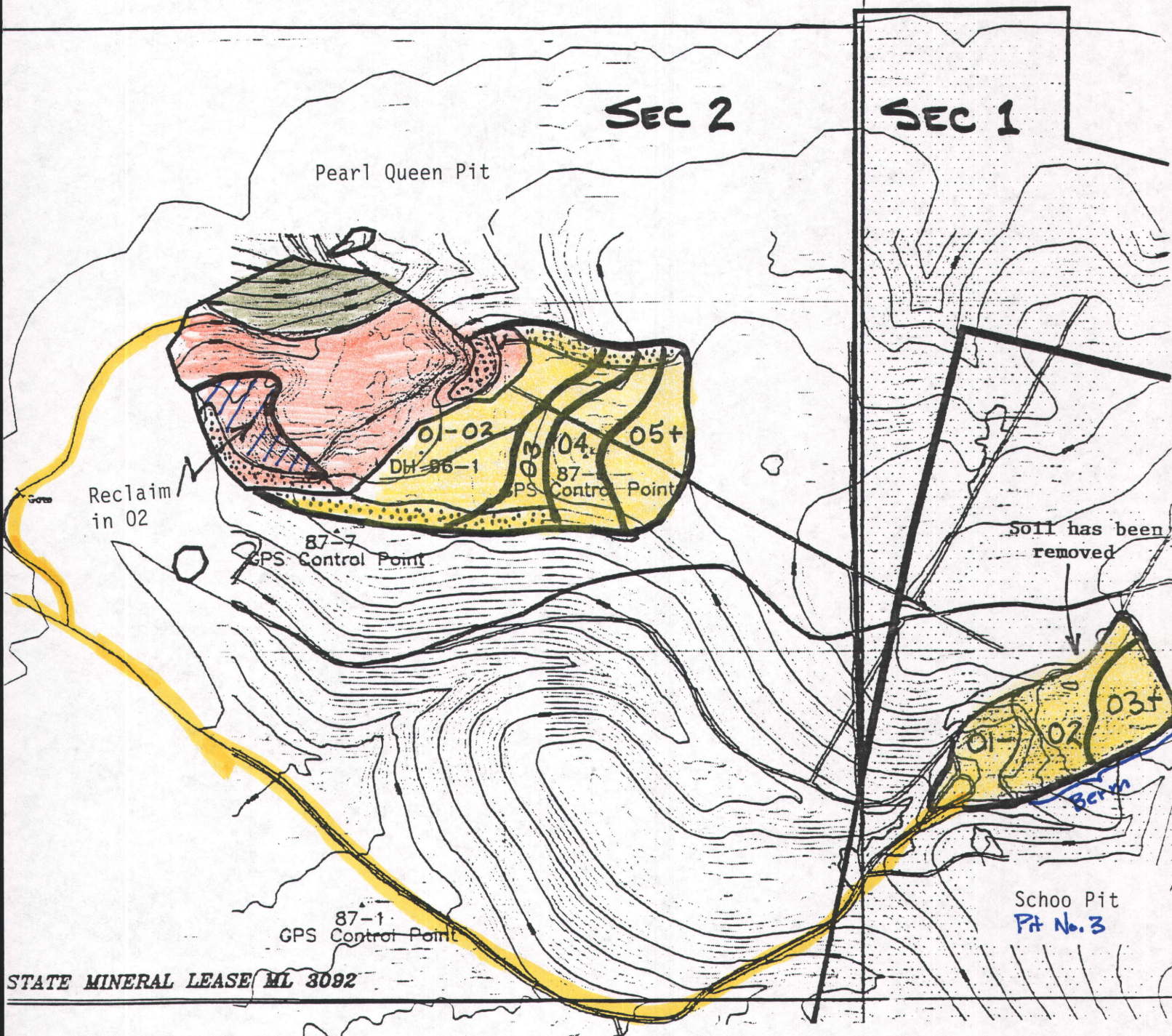
1. There is no soil of any extent present in the proposed mine area. This was verified by the USBLM site visit.
2. Current vegetative cover (naturally restored) is estimated at 40% of cover in adjacent areas.
3. The current site is completely unreclaimed and include a dangerous high wall about 60 feet high. Any reclamation would be a big improvement to the current situation.

R647-4-133 - Surety

We do not understand this comment. Does this apply to the mill site, mine site or both? Mr. Munson thought that surety costs had already been calculated and this comment applies to future work.








BASIN PERLITE COMPANY
BOX 490
533 S INDUSTRIAL LOOP RD
MILFORD, UT 84751
435/387-2100

EXHIBIT "C"



BASIN PERLITE COMPANY
BOX 490
533 S Industrial Loop Rd.
Milford, UT 84751
435/387-2100

EXPLANATION

-  Waste Rock Disposal Site
-  Mine Access Road
-  Current Mine Area
-  Proposed Mine Areas
-  Soil Stockpiles
-  Proposed Soil Stockpiles
-  Planned Mine Sequence (by years)

Scale : 1" = 400'

4/13/2001

Revised 6/25/01